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1979 Annual Report

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MIFA's Objectives

Capital investment is the key to economic growth, more jobs and higher incomes in the Commonwealth. The Massachusetts Industrial Finance Agency was founded on this principle, and its incentive programs lower both the costs of borrowing and the risks of lending, while increasing the return on investment to both the lender and the borrower.

The agency strives to strengthen the state's economy by:

- ☐ Encouraging more plant and equipment investment in the state, and more loans for that investment, particularly to smaller and medium-sized companies;
- ☐ Making Massachusetts more competitive with other states in attracting and retaining development; and
- ☐ Revitalizing the central business districts in the state's commercial centers.

MIFA's First Year

Projects	168
Approved Loans	\$352,936,190
Jobs	10,893 permanent jobs
Locations	90 cities and towns
IDFA Issues	\$134,252,810
MIFA Issues	\$218,683,380

Board of Directors

John McP. Collins
Chairman of MIFA
Springfield Institution for Savings
Springfield

Robert L. Beal
Vice Chairman of MIFA
Beal and Company, Inc.
Boston

James N. Bailey
Cambridge Research Associates
Boston

James F. Carlin
Commissioner of Department of Commerce & Development

Robert A. Chadbourne
Associated Industries of Massachusetts
Boston

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Secretary of Executive Office of Administration and Finance

George S. Kariotis
Secretary of Executive Office of Economic Affairs

Andrews S. Macalaster
Merchants Cooperative Bank
Boston (appointed November 1979)

George M. Romm
Romm and Company, Inc.
Brockton

William B. Russell
Fifty Associates
Boston (retired November 1979)



Report of the Chairman and Executive Director

During its first year the Massachusetts Industrial Finance Agency has experienced an enormous demand for its incentive programs to create more jobs and economic growth. Close to 11,000 new industrial jobs in the Commonwealth will be created by the \$350 million of tax-exempt financings approved by this new agency since its formation.

MIFA (as the agency is now known) was founded by the Legislature in late 1978 in the hope that more investment and thus a stronger economy would be stimulated by combining the state's industrial revenue bond and industrial mortgage insurance programs in a single state-wide agency. We are pleased to report that MIFA has made aggressive and imaginative use of its incentives, and that a very modest investment in MIFA—without risk to the state's credit—has already greatly increased private investment in the face of the country's highest interest rates in over a century.

So strong has been the demand for tax-exempt loans that in its first year, MIFA has approved 168 private investment projects totalling almost *twice as much tax-exempt financing as was used in Massachusetts over the entire previous decade*. These tax-exempt mortgage loans are enabling Massachusetts companies in 90 cities and towns to proceed *now* with new and expanded plants which will produce an estimated 3,000 man-years of construction jobs in addition to almost 11,000 permanent jobs. And the growing companies who are using MIFA's low-interest loans to increase their long-term physical presence in Massachusetts are likely to continue to add more jobs in the future.

Investment projects which were approved in MIFA's first year included:

- ☐ 125 new or expanded manufacturing facilities
- ☐ 26 warehouse and distribution facilities
- ☐ Two additions to research and development facilities
- ☐ A solid waste resource recovery project in Pittsfield
- ☐ An agricultural feedlot for the Agway cooperative
- ☐ 12 commercial revitalization projects in 10 of the state's downtown business districts
- ☐ \$96.5 million in pollution control financing to convert the largest fossil fuel power plant in New England from oil to coal, saving consumers \$80 million over the life of the bonds and 12 to 14 million barrels of oil each year.

One of the most encouraging events of the year was that the Legislature appropriated an additional \$1 million to MIFA's Insurance Reserve Fund. This appropriation brings the fund to \$3 million and will enable the agency to expand its Industrial Mortgage Insurance program and increase the benefits of tax-exempt lending to smaller companies. With only one small loss on an insured loan, the Industrial Mortgage Insurance program remains financially strong and is being used by a growing number of lenders. Since the program started in 1976 as the Massachusetts Industrial Mortgage Insurance Agency, 27 companies have received commitments for insurance.

We are particularly proud of the fact that 96 of the 125 manufacturing facilities approved over the year were for smaller companies with sales under \$20 million. Long-term financings for plant and equipment are particularly difficult for smaller companies which cannot attract the major long-term lenders. We believe that it is critical to the health of the state's economy that these companies be induced to invest their futures in Massachusetts. In the past, smaller companies generally did not receive the advantages of tax-exempt interest rates. MIFA's staff has devoted much of its efforts to helping these smaller companies and their lenders use MIFA's programs.

Although companies already located in Massachusetts are likely to be the source of most new jobs, it is important to note that ten of the approved projects involve companies moving *into* Massachusetts for the first time, and twenty-one others represent companies with headquarters outside Massachusetts making significant new investments in the Commonwealth. And nineteen projects were financed by lenders based outside of Massachusetts.

Prior to the creation of MIFA, tax-exempt lending was possible only in municipalities which had established local industrial development financing authorities. These authorities and local development officials play an essential role in the economic development of the state, and we are pleased to have approved \$134 million of tax-exempt lending through these authorities.

The aggressive promotion of tax-exempt lending by industrial development financing authorities and the Department of Commerce and Development, the creation of MIFA, and certain changes in federal law all have combined to increase tax-exempt lending in Massachusetts dramatically—from an average of \$18 million per year for the decade before MIFA's creation to over \$350 million in its first year.

We believe the efforts of MIFA have made a difference in some critical areas:

- ☐ With a statewide agency and a full-time professional staff, MIFA has simplified the legal steps necessary to qualify for tax-exempt financing. Bond processing time has been reduced to 60 days, and occasionally as little as 30, from start to finish. We can now say with confidence that a tax-exempt loan should take no longer to complete than a conventional loan for the same investment.
- ☐ MIFA has promoted industrial revenue bonds as tax-free real estate and equipment mortgage loans. This approach has attracted smaller borrowers, and has encouraged many more savings and commercial banks to use this program to finance fixed assets at debt service costs that their smaller customers can afford. In MIFA's first year, over 50 lenders have used our programs.
- ☐ Through MIFA, the state's Industrial Mortgage Insurance program has been redirected to insure tax-exempt loans. This new focus has lowered the debt service on insured loans and increased the benefits of tax-exempt loans to companies needing additional security through insurance. During the last year MIFA approved insurance for thirteen companies who will use tax-exempt loans to invest over \$17 million in the state.
- ☐ Increasingly rapid approvals and loan closings have enabled companies to obtain tax-exempt interest rates for *construction* as well as long-term financing. And more and more closely-held or family-owned companies are benefiting from the new option of using a tax-exempt mortgage to finance real estate individually owned and leased to the company.

During its first year, MIFA has proven to investors and lenders across the Commonwealth that its incentive programs do work and can make investing in Massachusetts more attractive without needless delay, red tape or restrictions. The projects approved by MIFA and discussed in this report represent more than \$400 million of new investment by 166 growing employers. More importantly the investments made by these employers are proof that they are committed to increasing their long-term presence in Massachusetts. These companies have a faith in the state's future which will generate new jobs, higher incomes, and a stronger state economy in the years to come.



John McP. Collins

John McP. Collins
Chairman



Robert E. Patterson

Robert E. Patterson
Executive Director

November 1, 1979

The Programs

The Massachusetts Industrial Finance Agency was founded by the Legislature to create more jobs and higher incomes in the Commonwealth by stimulating more investment in the productive assets of the state's industrial employers and in the revitalization of the state's central business districts.

MIFA offers several programs and services:

Tax-Exempt Industrial Loans

Insured Industrial Mortgage Loans

Tax-Exempt Pollution Control Loans

Commercial Revitalization Tax-Exempt Mortgage Loans

As successor to the State Industrial Finance Board and the Massachusetts Industrial Mortgage Insurance Agency, MIFA's underlying goal in all its programs is to create more jobs by making financing, particularly tax-exempt loans, easier to obtain in Massachusetts. In fact, tax-exempt loans, called "industrial revenue bonds," are really very similar to the conventional loans which lenders make to finance real estate and equipment. The lender evaluates the borrower's credit in the same way as he would for a conventional loan, as the credit of the state, MIFA, or any local government is not pledged to repay the loan.

A private lender is involved in all financings through MIFA's incentive programs, and neither MIFA nor a local industrial development financing authority determines the terms of the loan. But because the lender does not pay federal income tax on the interest on these loans, they are made at interest rates well below normal lending rates. Both the lender and the borrower can come out ahead with a tax-exempt loan: the borrower gets cheaper financing; the lender keeps more after-tax interest than it would at a higher, but taxable, interest rate.

Tax-Exempt Industrial Loans Massachusetts' historical prosperity relative to the rest of the country was based in part upon its headstart as an early manufacturing center. With the decline of the state's mill-based industries the state lost thousands of manufacturing jobs. While manufacturing jobs have been dropping as a proportion to all jobs across the country, the dramatic decline in the absolute number of these jobs in Massachusetts has been a major cause of our unemployment and economic hardship. For example, from 1960 to the bottom of the last recession in 1975, Massachusetts lost over 120,000 manufacturing jobs, or almost one-fifth of all such jobs in the state in 1960.

Fortunately, a new generation of manufacturers based in electronics and other technically advanced fields is emerging as a powerful supporter of the state's economy, and in recent years manufacturing jobs have increased strongly in Massachusetts. It is critical to the state's future that these companies expand here, as each new manufacturing job brings in money from other parts of the U.S. and abroad and creates other jobs in the state's economy.

To entice expanding employers to come to or stay in Massachusetts, MIFA offers tax-exempt loans for manufacturing, research and development, or warehouse and distribution firms. The financing must be for newly constructed, newly acquired, or improved plant and equipment located in Massachusetts which will create or retain employment in the state.

Mortgage Loan Insurance Some firms with good growth potential, particularly younger or smaller firms, have difficulty obtaining long-term loans to finance increases in their plant and equipment. The growth of these companies is often slowed by their inability to finance long-term assets without tying up their working capital. With MIFA insurance a company can borrow more of a project's cost at tax-exempt rates, reducing its debt service costs and conserving its cash for working capital while also expanding its investment in productive assets.

MIFA's insurance program can provide lenders with additional security and reduce their net exposure while increasing the loan amount. Benefits of the insurance to both the lender and borrower more than offset MIFA's premium for the insurance.

MIFA encourages borrowers who may need insurance to apply for it as early as possible in order that the insurance will not delay approval of the financing. Unlike the Small Business Administration, MIFA will insure tax-exempt loans, has no requirements that the borrower be turned down first by private lenders, and does not restrict eligible borrowers by size of assets, sales, employees or project.

Pollution Control Financing Financing for pollution control can put a financial strain on a company because the required equipment increases the company's debt service costs without increasing its productivity and revenues. To ease the burden, tax-exempt financing is available for pollution control facilities, which can range from specialized equipment for an individual company to large solid waste resource recovery plants which burn garbage and produce energy.

For smaller companies MIFA can obtain better financing terms than the nation's largest corporations receive for their pollution control financing. MIFA is seeking a number of smaller companies with pollution control needs to pool their projects into a larger MIFA bond offering with a Small Business Administration 100% guaranty.

Because the bonds will carry the credit of the federal government and be exempt from taxation, they will carry extremely favorable rates and repayment terms (approximately 7 percent over 30 years or better, depending on the equipment financed and market conditions at the time of the offering). Massachusetts companies with up to 1,000 employees are eligible for this program to take the financial sting out of pollution control.

Assistance for Commercial Area Revitalization Districts In addition to its financial incentives for industrial growth, MIFA offers tax-exempt financing and mortgage loan insurance to assist commercial revitalization projects. The success of the state's urban areas in attracting and holding industrial employers is intimately linked to their ability to sustain physical and economic health in their central business districts. In many cities, transportation changes have shifted commercial activity out of the traditional downtowns which have had difficulty competing with newer outlying developments.

Commercial buildings such as offices, hotels, retail stores and parking garages are now eligible for tax-exempt mortgage loans if located within a Commercial Area Revitalization District (CARD). These districts are designated in a revitalization plan adopted by the City Council or Board of Selectmen and approved by the state's Secretary of Communities and Development. Tax-exempt mortgages for projects contributing to the revitalization of a downtown commercial center can be a powerful tool to help local banking, business and community leaders to revive their downtowns by lowering the debt service costs for new or rehabilitated downtown buildings relative to similar buildings in outlying areas.

Many of the state's cities have established CARD plans, and some have also obtained federal Urban Development Action Grants to assist projects in those districts. These grants also increase the permissible size of a tax-exempt project from \$10 million to \$20 million (see How to Qualify on inside back cover).

The rehabilitation of important buildings in revitalization districts is also eligible for MIFA's mortgage insurance. Improved properties within CARD districts may also qualify for certain tax credits and deductions to promote revitalization and more employment in the state's central business districts under the Urban Job Incentive Program.

In its first full year through November 1, 1979 MIFA gave initial or final approval to over \$350,000,000 of tax-exempt loans. MIFA also committed \$2,317,000 of mortgage insurance on \$12,415,000 of industrial mortgage loans to finance total investments of over \$17 million. The investments assisted during this year should mean almost 11,000 new permanent jobs, 3,000 more man-years of construction jobs, and increased state and local tax revenues from a growing Massachusetts economy.

New Construction and Additions	\$184 million
Acquisition and Improvements	56 million
Equipment	113 million
Total	\$353 million

MIFA's incentive programs have been used by expanding employers and their lenders for projects in all parts of the Commonwealth, a few of which are shown here. These programs are surprisingly easy to use, but all projects must meet certain criteria (see "How to Qualify" on the inside back cover of this report). MIFA's staff is available at all times to provide information and assistance on our various programs and in the use of other state and federal public/private economic development financing programs, such as federal Urban Development Action Grants combined with tax-exempt financings and financial assistance through programs of the Economic Development Administration, Small Business Administration or Farmers Home Administration.

Star Container Corp. and S.A.Y. Industries These two companies will be neighbors in the Pioneer Industrial Park in Leominster, and both are building there with tax-exempt loans from Guaranty Bank & Trust Company. Star is borrowing \$1.5 million to expand its corrugated box company and consolidate operations in an efficient, 114,000 square foot facility. S.A.Y. has enjoyed growing sales and profits since its founding in 1976 due to the popularity of its unique molded plastic packages for automotive products. A new product line is being introduced, and S.A.Y. is using \$1.5 million to build a 65,000 square foot building for manufacturing and warehousing space. Both companies will add 70 new jobs in Leominster.

Chelsea Clock Company, Inc. This company received the smallest tax-exempt loan of MIFA's first year, proving that financings as small as \$200,000 can benefit from MIFA's programs. The company has made its famous marine clocks and barometers in Chelsea since its founding there in 1897. From 1970 to 1978, the company was owned successively by two large corporations, but was re-acquired by local owners in mid-1978. A \$200,000 industrial revenue bond issued by the Chelsea Industrial Development Financing Authority and approved by MIFA was sold to the Atlantic Savings Bank within 2½ months of the company's first approach to the bank.

Star Container Corp.
Leominster



S.A.Y. Industries
Leominster





Mt. Tom Box Company This company used a \$1,136,000 low-interest bond to relocate from an inefficient 5-story plant to a new one-story, 57,600 sq. ft. industrial building on 4.5 acres in the West Springfield Industrial Park. Mt. Tom expects to almost double its employment in its new plant. This project is one of 28 companies assisted by MIFA in Western Massachusetts. In the decade prior to MIFA's creation, only seven companies in the Western part of the state expanded with tax-exempt loans.

Dielectrics, Inc. Earl Stahl, president of this Chicopee company, considered expanding his firm in Vermont until he discovered he could obtain a \$960,000 tax-exempt loan for the acquisition and renovation of an existing 70,000 square foot industrial building in Chicopee Falls. The bonds, purchased by a Western Massachusetts bank, helped this 20-year-old manufacturer of custom fabricated products to remain in the Chicopee area, keeping 225 workers in the state. The company has already added another 20 new jobs and expects to add more.

United Engineers, Inc. United Engineers, Inc. was considering a move to Connecticut to be closer to its Stamford, Connecticut subsidiary before it discovered the savings available to Massachusetts businesses under the industrial revenue bond program. Low cost loans convinced the company to acquire an 8 acre site and build a 25,000 square foot manufacturing and office facility in the Holyoke Industrial Park. The project helped the firm to almost triple its R&D and manufacturing space and to centralize operations for greater efficiency. Lucien Parent, United Engineer's president, expects to create 29 new jobs in the Western Massachusetts area with the new building to house the company's 157 current employees.

Hub Mail Company Two savings banks and MIFA insurance combined to assist this Boston-based commercial printer and direct-mail company to remain in the city. With the purchase of 145,000 square feet in two vacant buildings on Morrissey Boulevard, Hub Mail satisfied its need for more space while contributing to the revitalization of the Columbia Point section of Boston. By using a 25-year tax-exempt insured mortgage, Hub Mail was able to obtain almost 90% financing at a favorable tax-exempt rate, while the savings banks' net exposure was held to their normal lending criteria. MIFA was also able to help Hub Mail reduce its property taxes by leading the company to the state's Urban Job Incentive tax credit program. Forty-five new and 200 current employees will be able to take advantage of an MBTA subway stop across the street to commute to their new jobs.

Top
Mt. Tom Box Company
West Springfield



Center
Dielectrics
Chicopee



United Engineers
Holyoke

Hub Mail Company
Boston



Museum Wharf
Boston



Steel-Fab, Inc.
Fitchburg





Museum Wharf An old warehouse building on Fort Point Channel in Boston is the new home of the Children's Museum and the Museum of Transportation. The renovation of this 153,000 sq. ft. building was the first Boston commercial property to obtain tax-exempt financing under the new CARD program. The Charlestown Savings Bank and Suffolk Franklin Savings Bank provided the \$3.2 million mortgage, and the tax-exempt interest rate will save the two museums some \$60,000 in interest in the first year alone.

Steel-Fab, Inc. The officers of this Fitchburg steel fabricating and welding company used a \$325,000 tax-free loan from a local commercial bank, First Safety Fund, to acquire Steel-Fab's assets to prevent non-local interests from buying and moving the business out of state. State and local officials retained 37 jobs by giving the new partners the approvals they needed within two weeks of their application.

E. Demakes and Company This family-owned meat company is undertaking a major expansion of its plant and employment in Lynn. A financing package through the Lynn IDFA, MIFA and Essexbank included \$250,000 of mortgage insurance on a tax-exempt real estate mortgage loan which will enable the company to renovate its facilities and purchase more refrigeration equipment. This established business employs 100 people in Lynn and will add 30 more jobs when their project is complete. Demakes is one of five companies being assisted by MIFA's programs in Lynn, where local government is achieving results through an aggressive program of industrial and commercial revitalization.

Merrimac Magnetics This company has grown with Massachusetts' electronics industry since starting in a leased building in Lowell sixteen years ago. In 1977, the company was among the first to break ground in the Hale-Howard industrial park, to be joined later by Astro Circuit Corporation. The mortgage for this first class 55,000 square foot facility was provided by two savings banks who were able to offer the company 20% more financing by using MIFA's mortgage insurance program.

Reynolds-Dewalt Printing, Inc. This company's owner learned of MIFA at a seminar in New Bedford, and as a result will save on interest payments on an eight-year, \$300,000 equipment loan from his commercial bank to meet his growing sales demand. Owner Earl Dewalt said: "We needed this equipment to add 10 jobs and stop turning away profitable orders, but high conventional interest rates would have stretched us thin and lowered our return on the investment. This tax-exempt loan will give our bank an excellent return while enabling us to grow without killing us with interest costs."



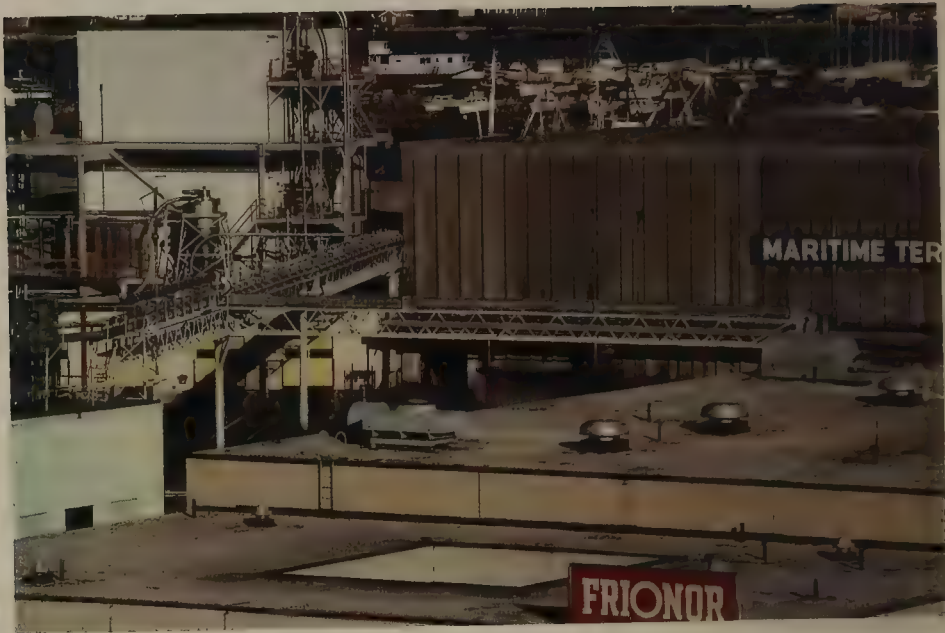
Left center
E. Demakes and Company
Lynn

Left
Merrimack Magnetics
Lowell

Astro Circuit Corporation
Lowell



Maritime Terminals and
Frionor Kitchens
New Bedford



Astro Circuit Corporation When the Environmental Protection Agency pressed this manufacturer of printed circuits for the electronics industry to cure its pollution control problems, the company decided to move from Tewksbury and build a new plant in Lowell. Two tax-exempt bonds (a \$1.3 million real estate loan from a savings bank with MIFA insurance plus a \$1 million equipment loan from a Lowell commercial bank) enabled the company to meet EPA standards while expanding into a new 57,600 square foot plant and bringing almost 200 existing jobs plus over 300 new jobs to Lowell.

Maritime Terminals and Frionor Kitchens Tax-exempt loans helped these two neighbors expand with the New Bedford fishing industry's resurgence under the 200-mile limit. Maritime Terminals will nearly double its capacity to refrigerate and store fish, cranberries and other products for international distribution through a \$5,000,000 New Bedford IDFA-issued bond. As part of this project, Maritime acquired a modern freezer warehouse from a major customer, Frionor Kitchens. Frionor, an Oslo-based fish processing cooperative, is consolidating operations into a 112,000 square foot plant, the old Quaker Oats building, with the help of a \$1,000,000 tax-exempt equipment loan already approved and another \$3,000,000 loan in the near future.

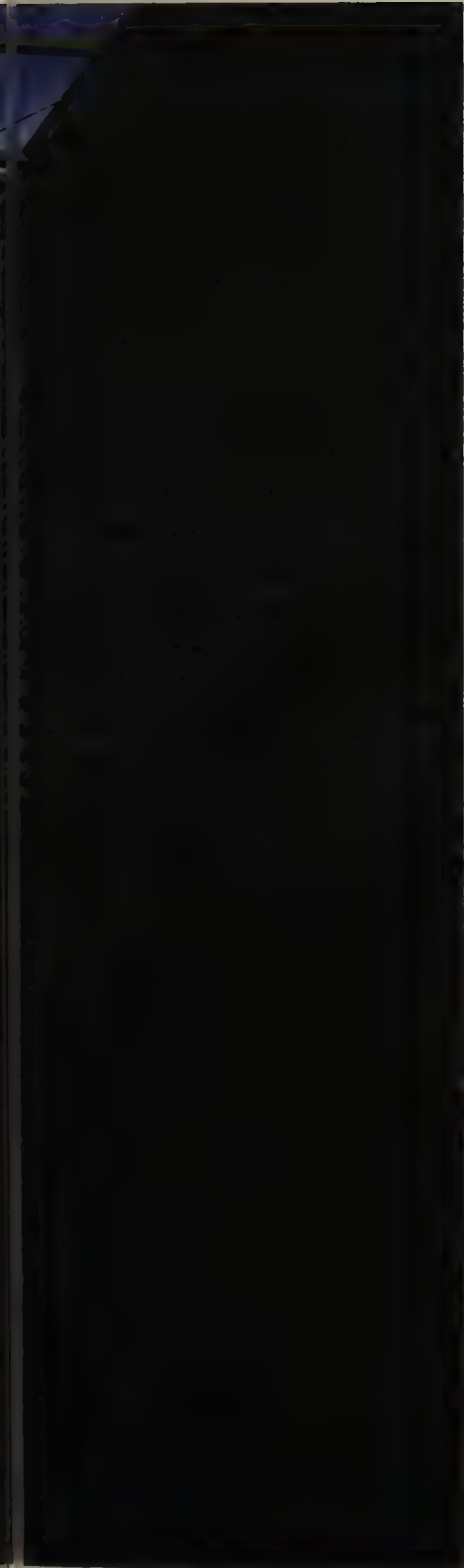
Warren Professional Associates When the Lowell chapter of the Benevolent and Protective Order of Elks decided to relocate their lodge, it was important to the revitalization of Lowell that an appropriate re-use be found for their lodge. Fortunately, a group of local doctors considering several sites for their new medical center chose the Elks building when they learned of the low-cost financing available to downtown projects under the new CARD program. "I am very proud of the project," said Dr. Susan Black, "because it will provide the first centralized primary care facility for the people of Lowell."

National Shoes, Inc. When National Shoes considered moving its headquarters to Boston from New York, it received generous offers from New York to stay there. The company decided, however, to move to Massachusetts and used a \$2.65 million MIFA loan to finance improvements to its building in Boston and the purchase of new equipment. In addition to strengthening the company's long-term ties to Boston, the move will create more than 200 new jobs here. National Shoes is just one of ten companies using MIFA's programs to move into Massachusetts.

Warren Professional
Associates
Lowell



Frionor Kitchens
New Bedford



Maritime Terminals
New Bedford



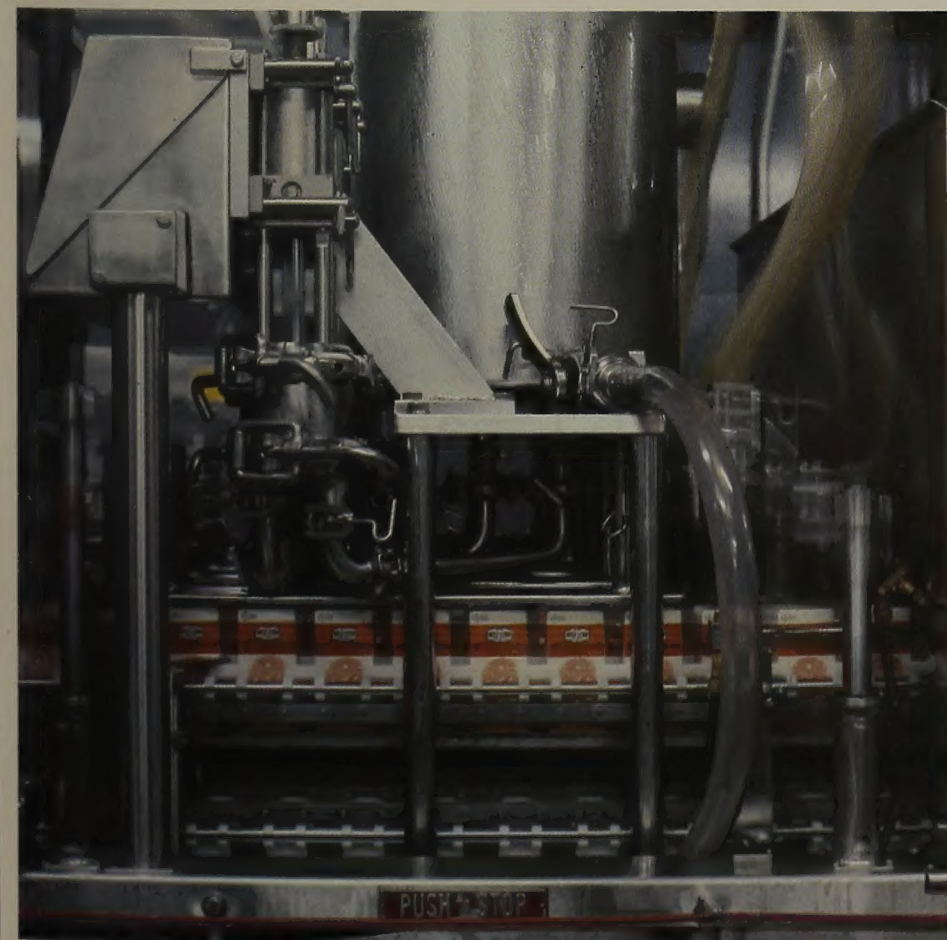
West Lynn Creamery In response to the growing demand for its products, this North Shore dairy has undertaken an ambitious modernization program that promises to double employment and capacity at its Lynn plant over the next three years. By working closely with city officials and MIFA, West Lynn Creamery has used three separate tax-exempt equipment loans to replace older, less efficient machines while expanding all phases of its production and packaging operations. The Company believes that this project could have taken several years to complete without the savings provided by the tax-exempt interest rates.

Epicure Products, Inc. Since 1968, this company has manufactured high-quality stereo equipment in Newburyport but recently was forced to move out of its quarters in an old mill building. Epicure had considered following its competitor Advent across the nearby border to New Hampshire, but Newburyport officials, MIFA and other state agencies worked together to make an attractive offer to keep Epicure in Massachusetts. MIFA's insured tax-exempt 25 year loan with the Institution for Savings in Newburyport, the Newburyport Five Cents Savings Bank, and the Springfield Institution for Savings was part of the package which kept the company's 125 jobs on this side of the border. Epicure's new 74,000 square foot building is now under construction on 10 acres in Newburyport with room for future expansion.

Micro Networks Corp. As part of the exploding electronics industry in Massachusetts and now a subsidiary of another growing Massachusetts firm, Unitrode, Inc., this leader in the data conversion thin film hybrid microcircuit field will add 100 jobs in Worcester through its \$1 million industrial revenue bond issued by the Worcester Industrial Development Financing Authority. Besides encouraging the company to double its plant in Worcester, the lower tax-exempt interest rate from a large commercial bank will enable the company to retain more earnings to finance its rapid growth.

Superior Nut Company MIFA's first tax-exempt bond went to this small, family-owned distributor of specialty nuts which needed more space to meet growing orders and wanted to buy a large abandoned meat packing plant in Cambridge. After reading an article about MIFA, the owners contacted the agency in mid-December 1978 and MIFA approved the project at its directors' meeting the following month. The \$700,000 tax-exempt loan saved the company almost four percentage points on its financing costs while bringing Cambridge more jobs and taxes through the re-use of a vacant and important building.

West Lynn Creamery
Lynn



Isotronics, Inc. A new 43,000 sq. ft. plant in New Bedford was one of three projects financed at advantageous interest rates through tax-exempt loans for Isotronics and its parent, Augat, Inc., an important and growing Massachusetts electronics firm. Augat's plants in Attleboro and Mashpee are also being expanded and renovated and equipment is being added. Along with its subsidiary, Isotronics, Inc., Augat now employs 1200 people in Massachusetts and expects to add 750 to 800 more jobs in the state over the next five years.

Fred V. Fowler Company When growing pains forced this Newton-based precision instruments and cutting tools firm to consider constructing its own headquarters and distribution center, it found a distinctive site overlooking the Massachusetts Turnpike Extension in Auburndale. The company's commercial bank made a long-term mortgage loan available for construction of this excellent property, and insurance from MIFA enabled the company to borrow an additional \$100,000 of the project's costs.

N.E. Apple Products Company, Inc. In business since 1865, this family-owned company is important to the Littleton area as an employer of more than 100 people and a processor of the local apple crop. Sales and employment increased rapidly in the 1970s as new product lines were introduced. To enable the company to continue growing, a \$2.1 million MIFA tax-exempt loan was sold to two out-of-state banks to finance 30,000 square feet of new building and over \$1 million of new equipment at an interest rate considerably below the banks' prime lending rate.

Isotronics
New Bedford



Center
Fred V. Fowler Company
Newton



Left and right
New England Apple
Products, Inc.
Littleton



How to Qualify

MIFA's goal is to creatively use the provisions of federal and state law permitting tax-exempt financing to stimulate private investment, and to impose as few restrictions as possible on tax-exempt transactions. For example, the lender and the borrower are allowed maximum latitude to determine the interest rate, loan amount, choice of lawyers, and other terms of the financing. Certain criteria, however, must be met to comply with federal and state law governing MIFA's programs:

1. All projects must create or retain employment in Massachusetts.
2. No commitment for any project should be undertaken before MIFA or the local industrial development financing authority, whichever will issue the tax-exempt bond, has passed a vote approving the project (and in the case of local authorities, until the project has also been approved by the governing body of the municipality).
3. The proceeds of the tax-exempt loan must be used to finance land, improvements to land, or depreciable assets. Working capital and refinancings are not eligible, but certain non-depreciable costs attributable to an eligible project may be included in the bond (up to 10%) and costs of the bond issuance may be included in the bond.
4. Either the tax-free loan must be for \$1,000,000 or less, or the owner and any user of more than 10% of the project must not make capital expenditures exceeding \$10 million in the same city or town as the project to be financed by the tax-exempt loan. This \$10 million test covers three years *prior* to and three years *after* the date that the loan is made (including the bond amount). The \$10 million rises to \$20 million *if* the project is located in a city that receives a federal Urban Development Action Grant which is used to finance a part of the project. This option is available under MIFA's industrial and commercial programs. In addition, certain types of facilities (parking garages, pollution control, convention or trade facilities) are exempt from the \$10 million limitation.
5. Eligible projects may be owned by trusts, partnerships, individuals, etc., other than the industrial user of the property, but the benefits of the lower tax-exempt interest rate must be passed on to the employer.
6. *Insured* loans must:
 - Be secured by a first mortgage lien on the new or improved plant or equipment to be financed.
 - Create or retain employment in Massachusetts that is substantially full-time, non-seasonal, paying one and one-half times the minimum wage, and offering adequate fringe benefits, such as health insurance.
 - Not exceed 90% of the value of real estate, or 80% of the cost of equipment securing the loan. The insured portion of the loan will vary in each case with the amount requested and the employment to be created, and generally ranges from 10% to 40% of the loan (but not more than \$400,000 for real estate or \$250,000 for equipment).

Once eligibility is determined, the tax-exempt approval process should move rapidly through the following critical steps. Loan closings completed from steps 1-7 are regularly achieved in 60 days.

Step 1 Contact MIFA to determine eligibility of the project, referral to local industrial development financing authority if one exists in the project location, ideas on possible funding sources, and other potentially applicable programs.

Step 2 Fill out a simple application form available from MIFA called a "Project Information Statement." Lawyers to serve as "bond counsel" should be selected at this stage by the borrower (with the proposed lender's approval, if possible).

Step 3 Have MIFA, or the local authority and the municipality's governing body, take the first vote to approve the project, before commitments for the project, including a purchase and sale agreement for property or a purchase order for equipment, are made.

Step 4 Construction or purchase of the building or equipment may commence.

Step 5 Negotiate the final financing terms with the lender as the lawyers complete the loan papers, research the zoning, title, and complete other legal aspects of the financing.

Step 6 Submit the final loan papers for approval by the local authority if it is to issue the bond, and then by MIFA's board of directors, or by MIFA only if MIFA is to issue the bond.

Step 7 Upon MIFA's approval, MIFA will supply a Certificate of Convenience and Necessity and immediately thereafter the loan can be completed.

If insurance is requested MIFA will need up to three weeks for an appraisal to be done, and accordingly MIFA should be called to commence the insurance processing as close as possible to Step 2.

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